Message Text

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ACTION EUR-12

INFO OCT-01 ISO-00 AID-05 CEA-01 CIAE-00 COME-00 EB-04

EA-06 FRB-01 INR-05 IO-04 NEA-06 NSAE-00 RSC-01

OPIC-06 SP-02 TRSE-00 CIEP-01 LAB-01 SIL-01 SWF-01

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PR 182020Z OCT 74

FM USMISSION OECD PARIS

TO SECSTATE WASH DC PRIORITY 3957

INFO AMEMBASSY CANBERRA

AMEMBASSY OTTAWA

AMEMBASSY COPENHAGEN

AMEMBASSY HELSINKI

AMEMBASSY BONN

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AMEMBASSY VIENTIANE

AMEMBASSY SAIGON

AMEMBASSY PHNOM PENH

AMEMBASSY MANILA

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MANILA FOR USADB

E.O. 11652: GDS

TAGS: EAID, EFIN, VN, IBRD, VS, LA, CB, TH

SUBJECT: OCTOBER 17 INDOCHINA DONORS' GROUP MEETING

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1. SUMMARY: UNDER CO-SPONSORSHIP IBRD/ADB, WITH IBRD VICE PRESIDENT FOR ASIA BERNARD BELL IN CHAIR, REPRESEN-TATIVES OF 15 COUNTRIES, IMF, UNDP AND UNICEF MET IN PARIS OCTOBER 17. SESSION WAS CHARACTERIZED BY: (A) BELL'S SKILLFUL HANDLING OF MEETING: (B) GENERAL UNANIMITY THAT CONDITIONS IN LAOS WARRANTED EARLY DONORS' MEETING ON THAT COUNTRY; (C) VIOLENT OPPOSITION BY SWEDEN TO IBRD INVOLVEMENT IN THIS OR FUTURE MEETINGS ON REGION AS WHOLE OR RVN: (D) STRONG INTERVENTIONS BY JAPAN AND U.S. IN FAVOR OF SUCH MEETINGS; (E) VERY CONSTRUCTIVE POSITION OF CANADA ON SUCH MEETINGS; (F) GENERALLY WEAK INTERVENTIONS BY GERMANY; (G) HEDGED POSITION OF FRANCE; (H) NON-PARTICIPATING ATTENDANCE BY ITALY, NETHERLANDS, SWITZERLAND. COUNTRY POSITIONS AS FOLLOWS. ON REGIONAL OR UMBRELLA MEETINGS: (1) WOULD ATTEND: CANADA, GERMANY, JAPAN, UK; US; (2) UNCERTAIN OR UNCLEAR: AUSTRALIA, FRANCE, NEW ZEALAND; (3) WOULD NOT ATTEND: DENMARK; FINLAND, NORWAY, SWEDEN. ON LAOS MEETING: (1) WOULD ATTEND: AUSTRALIA, CANADA, FRANCE, GERMANY, JAPAN, UK, US; (2) UNCERTAIN OR UNCLEAR: NEW ZEALAND, SWEDEN; (3) WOULD NOT ATTEND: DENMARK, FINLAND, NORWAY. ON SOUTH VIETNAM MEETING: (1) WOULD ATTEND: CANADA, GERMANY, JAPAN, US; (2) UNCERTAIN/UNCLEAR: FRANCE; (3) WOULD ATTEND IF SOME SATISFACTORY ARRANGEMENT REACHED RE HANOI: AUSTRALIA, NEW ZEALAND, UK; (4) WOULD NOT ATTEND: NORWAY; (5) OBJECT TO MEETING: DENMARK, FINLAND, SWEDEN. BELL CON-CLUDED THAT HE WOULD RECOMMEND TO MCNAMARA THAT IBRD/ADB CONVENE MEETINGS OF INTERESTED DONORS ON AND WITH LAOS "AT EARLY DATE," AND ON REGION AS WHOLE AND ON AND WITH SOUTH VIETNAM "AT APPROPRIATE TIME:" NAME OF THESE MEETINGS SPECIFICALLY NOT "CONSULTATIVE GROUP" OR "SUBGROUP" BUT RATHER " MEETINGS FOR DISCUSSIONS ON" END SUMMARY.

2. CHAIRMAN BELL OPENED MORNING SESSION WITH INVITATION FOR PARTICIPANTS TO SPEAK ON THEIR ANALYSES OF ECONOMIC CONDITIONS AND DEVELOPMENT REQUIREMENTS IN THE INDOCHINA COUNTRIES AND THEIR CURRENT AND PROSPECTIVE AID PROGRAMS. IMF ALSO PRESENTED ANALYSIS INDICATING NEED CONFIDENTIAL

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FOR EXTERNAL ASSISTANCE HAS BECOME MORE PRESSING. MOST SPEAKERS CALLED ATTENTION TO IMPROVED CONDITIONS IN LAOS AS AUGURING FAVORABLY FOR DEVELOPMENT PROGRESS. GERMANY AND FRANCE, WHILE EXPRESSING DISAPPOINTMENT AT LEVEL OF CONTINUED FIGHTING IN RVN, NEVERTHELESS STRESSED THIS WAS NO REASON TO DIMINISH AID EFFORTS. JAPAN EMPHASIZED IMPROVEMENT IN SITUATION, SINCE PARIS AGREEMENT AND NOTED THAT GVN NOW BETTER PREPARED TO UTILIZE

EXTERNAL AID. GERMANY, CANADA AND JAPAN HAVE EARMARKED AID FUNDS FOR NORTH VIETNAM, BUT AGREEMENT NOT YET REACHED WITH HANOI. SEVERAL SPEAKERS NOTED THAT SITUATION IN CAMBODIA PRECLUDED SERIOUS DEVELOPMENT AID PROGRAMS.

3. IN U.S. OPENING STATEMENT, TREASURY ASSISTANT SECRETARY COOPER EMPHASIZED THAT EVENTS IN REGION DURING PAST DECADE HAVE CREATED BOTH MORE URGENT REQUIRE-MENT FOR HELP AND UNIQUE OPPORTUNITIES FOR DEVELOPMENT PROGRESS. COOPER NOTED ELEMENTS OF ECONOMIC PROGRESS IN RVN, INCLUDING LAND REFORM AND RURAL CREDIT, EDUCATION AND HEALTH SERVICES, EXCHANGE RATE AND TAX MEASURES, AND ESTABLISHMENT OF DEVELOPMENT PLAN AND BUDGET, CONCLUDING THAT RVN DEVELOPMENT NOW LIMITED BY FINANCIAL CONSTRAINTS RATHER THAN COUNTRY'S ABSORPTIVE CAPACITY. LAOS AND CAMBODIA SITUATIONS ALSO REVIEWED. COOPER CONCLUDED THAT SUFFICIENT PROGRESS TOWARD RECON-STRUCTION IN INDOCHINA REGION EXISTS TO WARRANT MORE COORDINATED INTERNATIONAL APPROACH TO AID. IN ORDER TO INCREASE EFFECTIVENESS OF BILATERAL AND MULTILATERAL PROGRAMS ALREADY UNDERWAY.

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P R 182020Z OCT 74 FM USMISSION OECD PARIS TO SECSTATE WASH DC PRIORITY 3958 INFO AMEMBASSY CANBERRA AMEMBASSY OTTAWA AMEMBASSY COPENHAGEN AMEMBASSY HELSINKI

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4. SWEDISH DELEGATE (KLACKENBERG), ARRIVING LATE, NEAR END OF MORNING SESSION, MADE AGRESSIVE STATEMENT QUESTIONING PURPOSE OF THIS MEETING, WHICH HAS AGENDA AND DISUCSSION "VERY SIMILAR TO CONSULTATIVE GROUP." STRESSING THAT IBRD TOOK INITIATIVE IN CALLING THIS CONFIDENTIAL

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MEETING, KLACKENBERG "WARNED STRONGLY" AGAINST WORLD BANK ADMINISTRATIVE OR FINANCIAL INVOLVEMENT IN ACTIVI-TIES WHICH IMPLY A POLITICAL DECISION TO STRENGTHEN ONE OF THE TWO CONFLICTING PARTIES IN SOUTH VIETNAM. REFERRING REPEATEDLY TO THE "SAIGON REGIME." WHICH "DOES NOT REPRESENT THE PEOPLE OF SOUTH VIETNAM," KLACKENBERG ASSERTED THAT INCREASING ECONOMIC CHAOS AND CORRUPTION ARE NOT PROPITIOUS FOR WORLD BANK INVOLVEMENT. WITH RESPECT TO OTHER INDOCHINA COUNTRIES, KLACKENBERG STATED THAT NEITHER NORTH VIETNAM NOR CAMBODIA HAS REQUESTED A CONSULTATIVE GROUP, WHILE LAOS SHOULD BE CONSIDERED OUTSIDE OF THIS PRESENT FORUM. HE CONCLUDED THE IDEA OF ANY SIMILAR FUTURE MEETING ON INDOCHINA SHOULD BE "SCRAPPED," AS WELL AS ANY GROUP FOR RVN, AND THAT THE ABSENCE OF "EARLY ASSURANCES" FROM IBRD TO THIS AFFECT WOULD INFLUENCE SWEDISH SUPPORT FOR WORLD BANK GROUP. FINALLY, HE REFUSED TO SUPPLY ANY INFORMATION TO THIS MEETING ON SWEDISH AID.

- 5. IMMEDIATELY FOLLOWING THIS OUTBURST, REPRESENTATIVES OF DENMARK AND FINLAND, AMONG OTHERS, DESCRIBED THEIR AID PROGRAMS IN INDOCHINA, MAKING NO REFERENCE TO THE QUESTION OF PRINCIPLE RAISED BY SWEDEN.
- 6. MORNING SESSION ENDED WITH SHARP QUESTIONING OF BELL BY KLACKENBERG ON WHETHER "RUMORS" OF \$50 MILLION

IDA LOAN FOR RVN ARE CORRECT. BELL RESPONDED THAT THIS WAS A MATTER FOR DECISION BY WORLD BANK STAFF, MANAGEMENT, AND DIRECTORS AFTER COMPLETION OF IDA REPLENISHMENT AND NOT A SUBJECT FOR THIS MEETING.

7. EARLY IN AFTERNOON SESSION, US LAUNCHED SPECIFIC PROPOSAL FOR PERIODIC SEPARATE MEETINGS OF INTERESTED DONOR COUNTRIES WITH OAOS AND RVN, WITH PARTICIPATION BY INTERNATIONAL INSTITUTIONS, TO DISCUSS ECONOMIC AND SOCIAL CONDITIONS, AID PROGRAMS, AND COORDINATION OF EXTERNAL ASSISTANCE. WHILE US PREFERS SUBGROUPS, WE ARE ALSO OPEN TO LESS FORMAL MECHANISM.

8. JAPAN (KIKUCHI), WHO THROUGHOUT MEETING MADE VERY CONSTRUCTIVE INTERVENTIONS, SUPPORTED US AND STRESSED CONFIDENTIAL

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IMPORTANCE OF CONTINUING UMBRELLA GROUP FOR INDOCHINA REGION.

9. ADB REPRESENTATIVE (FISHER) STRESSED THAT LAOS, AS SOVEREIGN COUNTRY, HAD REQUESTED SEPARATE DONORS' GROUP, NOT LINKED WITH ANY OTHER AS A "SUB-GROUP." FRANCE (NEBOT), WHO THROUGHOUT MEETING PRESENTED HEDGED POSITION, AGREED WITH THIS.

10. AUSTRALIA SUPPORTED LAOS MEETING, BUT OPPOSED UMBRELLA GROUP OR RVN GROUP BECAUSE NORTH VIETNAM NOT ASSOCIATED WITH EFFORT. UK AND NEW ZEALAND HAD SIMILAR POSITIONS.

11. GERMANY (KLAMSER), WHOSE INTERVENTIONS AT MEETING WERE MUCH WEAKER THAN HIS CORRIDOR ASSURANCES OR THAN ASSURANCES COOPER RECEIVED IN BONN PRIOR TO MEETING, SUGGESTED GOING AHEAD WITH MEETING ON LAOS, PLUS INTERESTED DONORS AGREEING TO COME TOGETHER AT FUTURE DATE TO "COME TO CONCLUSIONS" ABOUT OTHER COUNTRIES OF REGION.

12. SWEDEN RAISED ISSUE OF WHETHER IT IS APPROPRIATE FOR WORLD BANK TO BE INVOLVED IN DONORS' GROUP FOR RVN WHEN "MANY MEMBER GOVERNMENTS" QUESTION THIS. THE PGNU REQUEST SHOULD BE TAKEN SERIOUSLY, BUT WOULD HAVE BEEN EASIER TO RESOLVE IF DETACHED FROM THE PRESENT "POLITICAL CONTEXT." SWEDEN OPPOSES UMBRELLA GROUP BECAUSE IF THERE IS ONLY ONE GROUP FOR LAOS, THERE IS NO NEED FOR UMBRELLA. NORWAY, FINLAND, AND DENMARK OPPOSED UMBRELLA AND RVN MEETINGS, BUT HAD NO OBJECTION TO LAOS MEETING THOUGH WOULD NOT PARTICIPATE. CORE OF SWEDISH POSITION IS THAT, AS RESULT OF PARIS AGREEMENT, THERE IS NO

GOVERNMENT IN SOUTH VIETNAM AND, THEREFORE, AID TO SOUTH VIETNAM IS ASSISTANCE TO ONE PARTY IN A CIVIL CONFLICT. THIS POSITION STRONGLY OBJECTED TO BY US AND NOT ACCEPTED OUTSIDE SCANDINAVIAN GROUP, WHICH MORE OR LESS FOLLOWED SWEDISH LEAD.

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PR 182020Z OCT 74

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TO SECSTATE WASH DC PRIORITY 3959

INFO AMEMBASSY CANBERRA

AMEMBASSY OTTAWA

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13. US AND JAPAN ARGUED AGAINST LETTING NORTH VIETNAM'S ATTITUDE PREVENT DONORS FROM COORDINATING THEIR AID EFFORTS IN RVN. JAPAN STRONGLY URGED THE UMBRELLA GROUP AS A MEANS OF KEEPING THE DOOR OPEN TO NORTH VIETNAM: "JAPAN ALSO BELIEVES IN EVEN-HANDEDNESS." CONFIDENTIAL.

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KIKUCHI STRESSED THAT RVN AND LAOS GROUPS WOULD BE ON SAME LEVEL AS OVERALL GROUP, I.E., NOT SUBORDINATE.

14. CANADA, IN VERY HELPFUL INTERVENTIONS, IS PREPARED IN PRINCIPLE TO ATTEND INFORMAL MEETINGS FOR COORDINATING AID FOR ANY OF THE FOUR REGIONAL COUNTRIES, AND ALSO SAW ADVANTAGES TO MEETINGS SUCH AS THIS FOR THE REGION AS A WHOLE.

15. ITALY AND NETHERLANDS PRESENT BUT DID NOT SPEAK; REPRESENTATIVE OF LATTER STATED PRIVATELY GON VIEWS SIMILAR TO SCANDINAVIANS. SWISS REPRESENTATIVE STATED GOS WOULD NOT PARTICIPATE IN ANY FUTURE MEETINGS BECAUSE IT GIVES NO AID IN INDOCHINA.

16. BELL CONCLUDED THAT HE WOULD MAKE FOLLOWING REPORT ON MEETING TO MCNAMARA:

A. THERE WAS UNANIMOUS CONCERN FOR HUMAN, ECONOMIC, AND SOCIAL PROBLEMS OF INDOCHINA DN UNANIMOUS DESIRE TO ASSIST THE PEOPLES OF INDOCHINA, ALTHOUGH THERE ARE DIFFERENCES ON APPROACH, TIMING, AND MODALITIES.

B. A MAJORITY OF MAJOR DONORS WOULD WELCOME FUTURE MEETINGS SIMILAR TO TODAY'S ON COUNTRIES OF INDOCHINA AS WHOLE, AND BELL WILL RECOMMEND THAT IBRD/ADB CONVENE SUCH MEETING "AT APPROPRIATE TIME."

C. A LARGE NUMBER OF COUNTRIES PRESENTLY GIVE AID TO SOME OR ALL OF INDOCHINA COUNTRIES. ALTHOUGH SOME DESIRE ESTABLISHING FORMAL GROUP FOR LAOS, OTHERS PREFER LESS FORMAL ARRANGEMENT, AND WOULD LIKE TO MEET AND DISCUSS DEVELOPMENT PROSPECTS AND COORDINATION OF AID EFFORTS. BELL WILL RECOMMEND IBRD/ADB INVITE INTERESTED PARTIES TO SUCH MEETING "AT EARLY DATE."

D. THERE IS ALSO CONSIDERABLE INTEREST BY MAJOR DONORS IN A SIMILAR MEETING ON SOUTH VIETNAM, AND BELL WILL MAKE RECOMMENDATION FOR SUCH MEETING TO BE HELD "AT APPROPRIATE TIME." AT BOTH THE RVN AND LAOS MEETINGS REPRESENTATIVES OF THE RECIPIENT COUNTRIES WOULD BE INVITED.

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E. A NUMBER OF COUNTRIES ARE INTERESTED IN AID TO NORTH VIETNAM, BUT THE WORLD BANK CANNOT CALL A MEETING ON THIS SINCE NVN NOT BANK MEMBER.

17. SINCE FRENCH PRESS OCTOBER 17 CHARACTERIZED MEETING AS "SECRET," IBRD PROPOSED PRESS RELEASE, WHICH WAS AGREED AS FOLLOWS:

BEGIN UNCLASSIFIED:

QUOTE AT THE INVITATION OF THE WORLD BANK AND THE ASIAN DEVELOPMENT BANK AN INFORMAL MEETING WAS HELD AT THE WORLD BANK'S EUROPEAN OFFICE, PARIS, ON OCTOBER 17, 1974. THE MEETING WAS ARRANGED IN ORDER TO PROVIDE AN OPPORTUNITY TO EXCHANGE INFORMATION AND VIEWS ON THE PROSPECTS FOR RECONSTRUCTION AND DEVELOPMENT AND ON CURRENT AND PROSPECTIVE AID PROGRAMS IN COUNTRIES OF THE INDOCHINA PENINSULA. IT WAS ATTENDED BY REPRESENTATIVES OF AUSTRALIA, CANADA, DENMARK, FINLAND, FRANCE, GERMANY, ITALY, JAPAN, NETHERLANDS, NEW ZEALAND, NORWAY, SWEDEN, SWITZERLAND, THE UNITED KINGDOM, AND THE UNITED STATES; THE INTERNATIONAL MONETARY FUND, UNITED NATIONS CHILD-REN'S FUND (UNICEF), AND THE UNITED NATIONS DEVELOPMENT PROGRAMME (UNDP) WERE ALSO REPRESENTED. END QUOTE. END UNCLASSIFIED.

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